

the tax system rather than make it even more complicated than it is. Therefore, I think those will be the issues we should really address.

Mr. President, I yield the floor.

Mr. DURBIN addressed the Chair.

The PRESIDING OFFICER (Mr. ENZI). The Senator from Illinois.

Mr. DURBIN. I ask unanimous consent to be recognized in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. THOMAS. Would it be possible for me to make a unanimous consent request?

EXTENSION OF MORNING BUSINESS

Mr. THOMAS. I ask unanimous consent that the Senate continue in a period of morning business for 90 minutes, equally divided in the usual form.

The PRESIDING OFFICER. Without objection, it is so ordered.

The PRESIDING OFFICER. The Senator from Illinois.

TAX CUTS

Mr. DURBIN. Mr. President, this morning we devoted most of the morning business to a discussion of an item which will come before us soon, and that is the whole question of how our economy is to look for the next few years. There are two very different visions of that future which will be articulated on the floor—one on the Republican side and another on the Democratic side.

The Senator from Wyoming was kind enough to speak and to tell us earlier about his concerns over taxes. Certainly, his concern is shared by many on both sides of the aisle. He made a point which I think is worth noting and explaining. Yes, it is true that Federal tax receipts are higher than they have ever been from individuals and families, but it is also true the tax rates on individuals and families, in every income category, are at some of the lowest levels they have been in modern memory.

The reason why taxes and tax receipts are higher reflects the fact that the economy is strong, people are working, they are earning money in their workplace, as well as in their investments, and they are paying some tax on it.

If you look at the dynamic growth in taxation on American families, you will find it is not from Washington but, rather, from State capitals and local sources, local units of government. That, to me, is an important point to make as we get into a question of whether we should cut Federal taxes.

I, for one, believe we can cut Federal taxes and do it particularly for the lower and middle-income families and really enhance our economy—if they are targeted; if they are contained. Because people who get up and go to work every day, and sweat out the payroll

tax, which is usually higher than their Federal income tax liability, are the folks who need a helping hand.

Sadly, the Republican proposal before us, which will be about a \$1 trillion tax cut over the next 10 years, does not focus on the lower and middle-income families. It reverts to the favorite group of the Republican Party time and again in tax policy—those at the higher income levels. So we see dramatic tax cuts for the wealthiest American families and “chump change,” if you will, for working families.

That in and of itself is an injustice. The Republican Senator who spoke before me made the statement that he could not see why giving more money back to people to spend could possibly hurt the economy. In fact, it is a source of concern.

You notice that about once a month, or once every other month, we wait expectantly for news from the Federal Reserve Board as to whether they are going to raise interest rates. It is an important issue and topic for many Americans. If you have a mortgage with an adjustable rate on it, the decision by Chairman Greenspan of the Federal Reserve to raise interest rates will hit you right in the pocketbook. Your mortgage rate will go up. The payment on your home will go up.

Most people think this is a decision to be made looking at the overall economy. I suggest most American families look at interest rate decisions based on their own family. What will it do to my mortgage rate? What will it do, if I am a small businessperson, to the cost of capital for me to continue doing business? These are real-life decisions.

If the Republicans have their way this week and pass a tax break, primarily for wealthy people, injecting money into the economy, it will increase economic activity. It is expected, then, that some people will buy more. It may mean Donald Trump will buy another yacht or Bill Gates will buy something else.

That money spent in the economy creates the kind of economic movement which the Federal Reserve watches carefully. If that movement seems to be going too quickly, they step in and slow it down. How do they slow it down? They raise interest rates.

So the Republican plan, the tax break for wealthy people, the \$1 trillion approach, is one which runs the risk of heating up an economy, which is already running at a very high rate of speed, to the point where the Federal Reserve has to step in. And once stepping in and raising interest rates, the losers turn out to be the same working families who really do deserve a break.

It has been suggested that if we, instead, take our surplus and pay down the national debt, it not only is a good thing intuitively that we would be retiring this debt, but it has very positive consequences for this economy.

Consider for a moment that in the entire history of the United States,

from President George Washington through President Jimmy Carter, we had accumulated \$1 trillion in debt. That means every Congress, every President, each year, who overspent, spent more Federal money than they brought in in taxes, accumulated a debt which over the course of 200 years of history, came to \$1 trillion, a huge sum of money, no doubt.

But after the Carter administration, as we went into the Reagan years, the Bush years, and the early Clinton years, that debt just skyrocketed. It is now over \$5 trillion. That is America's mortgage. We have to pay interest on our mortgage as every American family pays interest on their home mortgage. What does it cost us? It costs us \$1 billion a day in interest to borrow the money, to pay off our national debt—\$1 billion a day collected from workers through payroll taxes, from businesses and others just to service the debt.

So the question before us is whether or not a high priority should be reducing that debt. Frankly, I think it should be one of the highest priorities. You know who ends up paying that interest forever? The young children in our gallery here watching this Senate debate: Thank you, mom. Thank you, dad. Thanks for everything. Thanks for the national debt, and thanks for the fact that we are going to have to pay for it.

We have some alternative news for them that may be welcome. We have a chance now to help you out. We have a chance to take whatever surplus comes into the Federal Government because of our strong economy and use it to retire the national debt, to bring it down.

That is the proposal from the Democratic side, from President Clinton, and most of my fellow Senators who share the floor with me on this side of the aisle. It is a conservative approach but a sensible one.

The alternative, if we do not do it, I am afraid, is to continue to pay this \$1 billion a day in interest on the debt and not bring it down.

If we stick to a disciplined, conservative approach, we can bring down this debt.

Chairman Alan Greenspan said last week: Yes, that is the highest priority. You want this economy to keep moving? You want to keep creating jobs and businesses, people building homes, starting new small businesses, and keeping inflation under control? He said the worst thing you can do is create new programs and spend it, going back to the deficit days. The second worst thing you can do, as the Republican proposal suggests, is give tax breaks to wealthy people. The best thing he said to do is to retire the national debt.

It is eminently sensible on its face. We step forward and say bringing down that debt is good for the economy, will not overheat it, will not raise interest rates. You see, if we can have interest rates continuing to come down, it helps families. How does that happen?

The Federal Government is a big borrower. Because of our \$5 trillion-plus debt, we have to borrow money from all over the United States and around the world to service that debt. If we start getting out of the borrowing business, there is less demand for capital, and the cost of capital—interest rates—starts going down. What would a 1 percent reduction in the interest rate mean to families across America over the next 10 years when it comes to their mortgage payments? Savings of over \$250 billion. Frankly, taking the conservative approach, paying down the national debt is not only good to keep the economy moving forward but, over the long term, the lower interest rates are good for everyone: good for families who want to buy homes; good for businesses that want to expand and hire more employees, and good all around.

That is the bottom line of this debate. The Republican approach is to spend it on tax cuts, give it to wealthy people. The Democratic approach is pay down the national debt, invest the money in Social Security and in Medicare. That, I think, is the more responsible course of action. What the Republicans would do in the second 5 years of their tax cut is actually mind-boggling, because they would be reaching into the Social Security trust fund to pay for these tax breaks for wealthy people. So folks today who are paying a high payroll tax, putting money in the Social Security trust fund so it is there for the baby boomers and others in the future, would actually be funding a tax cut for some of the wealthiest people in America instead of leaving that money in the Social Security trust fund where it belongs to meet the obligations of that system that is so important to millions of families.

I yield to the Senator from California for a question.

Mrs. BOXER. I thank the Senator from Illinois. We are having this conversation while we await the arrival of the interior appropriations bill, which I know we are both looking forward to working on with the rest of the Senate.

Nothing could be more important right now than the business that will come before this body tomorrow, a huge Republican reconciliation bill which includes these massive tax cuts to the wealthiest and, as a result of that, really crimps the functioning of the rest of the Federal Government.

Again, because my friend is so clear thinking, I underscore what he said in this colloquy.

The Democratic plan makes four very important decisions. First, the Democratic plan takes care of Social Security for the extended future. It says every single dollar of the surplus that belongs to Social Security will be locked up for Social Security, while the debt is paid down at the same time. The difference with the Republicans is, they dip into the Social Security trust fund 6 years from now.

Secondly, the Democratic plan says: What else is important? What else is

the safety net for our people? Medicare. So it treats Medicare, in essence, the same way we treat Social Security. We treat it as the twin pillar of the safety net. We say we will take care of Medicare to the tune of over \$200 billion. We lock that up. And while it is sitting there, it is used to pay down the external debt of the country.

The third thing we do—I have alluded to that—is debt reduction. Debt reduction is the external debt, the debt that is owed to private people, Americans and those around the world who pick up our bonds. We owe them debt. I see my friend from South Carolina who has pointed this out. Because of that debt, we are paying over \$300 billion a year in interest payments which, as my friend said, is bad for the economy. It is wasteful. It does no good to anyone.

Then there is a fourth piece. That is, we take care of the business of Government. We leave enough over to take care of education, to take care of health research, to take care of airport safety, safety in the streets, highways, transit, the things that our people want us to do; we take care of the basic business of Government, no frills but the basic business of Government. Educating our kids is basic. If we don't do that, we are nowhere as a country.

My question to my friend is this: Unless we are not hearing the people, they want us to take care of Social Security and lock it up for the future. They want us to take care of Medicare and lock that money up for the future. They want us to reduce that external debt so the interest payments on the debt disappear. And they want us to take care of the basic business of Government: taking care of our kids, health research, the things we stand on this floor day in and day out talking about, how important it is to improve the quality of life for our people. That is what we do.

The Republicans, the only thing they do is take care of the wealthy. Yes, they take care of some of Social Security, but in the second 5 years, they are dipping into that pot, too.

Does my friend agree with the sort of wrap-up I have given of his remarks? Are we on the same page? And, in conclusion, does he think our plan meets the needs of our people and their plan is risky, it is frightening, it pays off the wealthy and does nothing for our other needs?

Mr. DURBIN. I agree with the Senator from California. I will say this only one more time on the floor. She may have missed it earlier, when I characterized this whole discussion about the lockbox. There is this proposal that comes forward that we create a lockbox for Social Security and for Medicare. In other words, you can't get your hands on it if you want to create a new program or whatever it might be. It is going to be separate, locked away from the grasping hands of any political leaders. So those who follow the debate will hear this: lockbox, lockbox, lockbox. But as we

look carefully at the Republican tax break proposals, they reach into that Social Security lockbox in the year 2005 and start taking money out for tax breaks for wealthy people.

I said on the floor earlier, at that point it is no longer a lockbox, it is a "loxbbox," because it smells a little fishy. This is no lockbox, if you can reach in and take from it. That is, frankly, what we are going to face with the Republican tax break proposal.

I also say to the Senator from California and the Senator from South Carolina, who is the acclaimed expert when it comes to budget—and we are anxious to hear his comments and contribution—the other thing that is interesting is the Republican tax break plan is based on the theory that we are going to stick with spending caps forever. We are going to keep limitations on spending and appropriations forever. And with those limitations, the surplus grows, and they give it away in tax breaks primarily to wealthy people.

Look what is happening around here. The so-called caps are being breached and broken even as we speak. They came up last week and said—what a surprise—it turns out we have to take a census in America every 10 years. That is an emergency, an unanticipated event.

A census an unanticipated event? We have been taking the decennial census for centuries—not quite that long but at least for a long time. Now they are calling it an emergency to pay for the census so they can go around the caps, so they can spend the money.

It is my understanding that within the last few hours, the House of Representatives has also decided that spending for veterans hospitals is an emergency, and, therefore, we will go around the caps. Frankly, funding the census and funding veterans hospitals would be high on everyone's list here, but to call this an unanticipated emergency—most of the men and women who are being served by those hospitals served us and our country in World War II and Korea. We know who they are, and we know the general state of their health. It is predictable that they would need help at veterans hospitals. It is not an unanticipated emergency.

We are dealing in fictions; we are dealing in doubletalk, in an effort to get around the spending caps, which is the premise of the Republican tax break, that we are going to have spending caps forever. They are violating their premise even as they offer this tax break proposal.

I will make this last point to the Senator from California. She really addresses, I think, one of the basics. There are many on the Republican side who believe that, frankly, Government just gets in the way of a good life for Americans. I disagree. I think in many respects Government is important to a good life for many Americans and their families.

The Senator from California and the Senator from Illinois can certainly

agree on the issue of transportation. In Chicago, which I am honored to represent, virtually any radio station will tell you every 10 minutes the state of traffic on the major expressways around Chicago. I am sure the Senator from California can tell the same story. It is getting worse, more congestion, more delays, and more compromise in the quality of life.

We don't want to step away from a Federal contribution to transportation, not only highways but mass transit. Frankly, if we move down the road suggested by Republicans, it would jeopardize it. The same thing is true about crime. It ranks in the top three issues that people worry about. The COPS Program, which Democrats supported along with President Clinton, has created almost 100,000 new police. That brought down the crime rate in America. We want to continue that commitment to making our neighborhoods, streets, and schools safer across America.

Finally, education. I am glad the Senator from California noted this. The Federal contribution to education is relatively small compared to State and local spending, but it is very important. We have shown leadership in the past and we can in the future. It really troubles me to think we are now at a point in our history where, if no law is changed and everything continues as anticipated, we will need to build, on a weekly basis, for the next 10 years—once every week for the next 10 years—a new 1,000-bed prison, every single week for the next 10 years because of the anticipated increase in incarceration.

I think dangerous people should be taken off the street and out of my neighborhood and yours. But I don't believe Americans are genetically inclined to be violent criminals. I think there are things we can do to intervene in lives, particularly at an early stage, to make kids better students and ultimately better citizens. That means investing in education. The Republican plan steps back from that commitment to education, as it does from the commitments to transportation and fighting crime. That is very shortsighted. We will pay for it for many decades to come.

So this debate, some people say, is about a tax break. It is about a lot more. Will the economy keep moving forward? Will we make important decisions so the next generation of Americans is not burdened with paying interest on our old debt, and will we make good on our commitment to American families when it comes to important questions involving transportation, crime, education, and the quality of life?

Mrs. BOXER. Will my friend yield to me for a question?

Mr. DURBIN. I yield to the Senator from California for a question.

Mrs. BOXER. Mr. President, I want to ask him a question about an issue he and I have worked on together for so

many years. It takes us back to when we were in the House together. We served together there for 10 years. That is the issue of health research.

Right now, only one out of every three approved grants is actually being funded. So that means cures for cancer, Parkinson's, AIDS, heart disease, stroke, you name it—the biggest killers—are not being found. In other words—let me repeat—we have one out of every three grants approved by the National Institutes of Health because they are very promising. If some scientist has a theory about how to cure prostate or breast cancer, he may not be able to get it done.

This will be my final question. As he goes through the Republican plan, which leaves virtually zero room, as I read it, for increases in this kind of basic spending, does the Senator not think we are shortchanging American families? When I talk to them, that is what they are scared of most.

Mr. DURBIN. I thank the Senator from California for her observation. Yes, many years ago when we were on the Budget Committee in the House, we worked together on medical research and dramatically increased the amount of money for it. It was one of the prouder moments serving on Capitol Hill. I have found, as I have gone across Illinois and around the country, that virtually every American family agrees this is an appropriate thing for the Federal Government to do—initiate and sponsor medical research.

A family never feels more helpless than when a disease or illness strikes somebody they love. They pray to God that the person will survive, and that they can find the best doctors. In the back of their minds they are hoping and praying that somewhere somebody is developing a drug or some treatment that can make a difference. And that "somewhere," many times, is the National Institutes of Health in Washington, DC, in the Maryland suburbs nearby.

If we take the Republican approach of cutting dramatically the Federal budget in years to come for a tax break for wealthy people, we jeopardize the possibility that the NIH will have money for this medical research. That is so shortsighted.

It is not only expensive to continue to provide medical care to diseased or ill people, but, frankly, it is inhumane to turn our backs on the fact that so many families need a helping hand. I sincerely hope before this debate ends, we are able to bring Republicans around to the point of view that when we talk about spending on the Democratic side, it is for the basics—transportation, fighting crime, helping education, and medical research. I would take that out for a referendum across this land. I think that is the sensible way to go.

I yield the remainder of my time.

Mr. HOLLINGS addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from South Carolina.

REALITIES OF THE BUDGET

Mr. HOLLINGS. I certainly appreciate it. I really appreciate the significance of and the emphasis the distinguished Senator from Illinois and the distinguished Senator from California are exchanging on the floor about the realities of the budget.

Mr. President, some years ago, there was this debate between Walter Lippmann and the famous educator, John Dewey, with relation to how to build a strong democracy. Mr. Lippmann contended the way to have and maintain a strong democracy was to get the best of minds in the various disciplines countrywide—whether in education, housing, foreign relations, financial and fiscal policy, or otherwise—and let them meet around the table and determine the needs of the Nation and the policy thereof; take care of those needs, give it to the politicians, give it to the Congress, and let them enact it. It was John Dewey's contention—no, he said, what we need is the free press to tell the American people the truth. These truths would be reflected through their Representatives on the floor of the national Congress, and the democracy would continue strong.

For 200-some years now, we have had that free press reporting those truths. But, unfortunately, until this morning—until this morning, Mr. President—they have been coconspirators, so to speak, in that they have joined in calling spending increases spending cuts, and calling deficits surpluses. Eureka. I picked up the Washington Post this morning, and on the front page, the right-hand headline, they talk about the shenanigans of emergency spending and calling up the CBO with different economic assumptions—finding \$10 billion. Just go to the phone if you are Chairman of the Budget Committee, call up Mr. Crippen over at CBO and say: Wait a minute. Those economic assumptions we used in the budget resolution—I have different ones. Therefore, give me \$10 billion more. It is similar to calling up a rich uncle.

That is now being exposed in the Wall Street Journal. Of all things, they are talking in the front middle section about national and international news headlines and talking about double accounting and how they give them credit for saving the money and spending it at the same time. There is a whole column by our friend David Rogers on page 24. So, eureka, I found it. We are now breaking through and beginning to speak the truth.

I know the distinguished Chair is very much interested in actual and accurate accounting, and the actual fact is we are running a deficit, the Congressional Budget Office says, of \$103 billion this year, which ends with August and September—just 2 more months after this July, and we will have spent \$103 billion more than we take in; namely, on the deficit.

So, Mr. President, when you hear all of this jargon and plans about surpluses and how they find them and